United States Court of Appeals
For the Eighth Circuit

Nos. 74-1325 and 74-1353

Allen Homes, Inc.,
Appellant and
Cross-Appellee,
v.
Jack H. Weersing and Elk River Homes, Inc.,
Appellees and
Cross-Appellants.

} Appeals from the United States District Court for the Western District of Missouri.

Submitted: October 17, 1974

Filed: February 7, 1975

Before Gibson, Chief Judge, Lay and Stephenson, Circuit Judges.

Stephenson, Circuit Judge.

These cases involve a three count complaint by plaintiff, Allen Homes, for federal trademark infringement, 15 U.S.C. §§ 1051-1127; federal unfair competition, 15 U.S.C. § 1125 (a); and common law trademark infringement. Defendants, Jack H. Weersing and Elk River Homes (Elk River), counterclaimed for false and fraudulent trademark registration. The

trial court[1] held that Elk River had not infringed upon Allen Homes' trademark but that Elk River had not carried its burden on the counterclaim. We affirm.

The case was presented to the court largely on stipulated and undisputed facts. We will recount sufficient facts to dispose of the issues.

Appellant, Allen Homes, began using the trademark FOUR SEASONS on its mobile homes on May 16, 1969. It manufactured the homes in its Olympia, Washington plant and sold them in the states of Washington, Oregon, Alaska, Idaho and Montana (northwestern states). An Allen Homes plant was placed under construction in Junction City, Kansas on June 5, 1969. The record shows that Allen Homes had previously, on May 1, 1969, announced its intention to market FOUR SEASONS mobile homes in Kansas, Nebraska, Iowa, Missouri, Colorado and Arkansas (midwestern states). The announcement appeared in the local Junction City, Kansas newspaper.

The stipulations reveal that Elk River, which sold its first FOUR SEASONS mobile home in Missouri on February 18, 1970, was the first user of the FOUR SEASONS mark in the midwestern states.

On June 2, 1970 Allen Homes sent to Elk River a letter informing Elk River of Allen's prior use of the FOUR SEASONS mark in the northwestern states. The trial court found that this letter was the first notice which Elk River received of any prior use of the FOUR SEASONS mark.[2]

In July of 1970 Allen Homes applied to the United States Patent Office for registration of the FOUR SEASONS mark.

---

[1] The United States District Court for the Western District of Missouri, Honorable John W. Oliver presiding.

[2] The record indicates that Elk River informally learned of Allen Homes' prior use "a few days" before receipt of the letter.

Registration became final in December of 1971. Allen Homes notified Elk River of the registration on January 10, 1972.

Elk River continued to use the FOUR SEASONS mark until February 15, 1972 when it discontinued using the mark and mailed its stock of FOUR SEASONS decals to Allen Homes' counsel.[3] This lawsuit seeking injunctive relief as well as punitive and exemplary damages was filed on April 3, 1972.

I. Allen Homes' Infringement Claims.

The main thrust of Allen Homes' argument is that they were the first users of the FOUR SEASONS mark on mobile homes and that they were therefore entitled to continue to expand their market in FOUR SEASONS mobile homes unhampered by later market entries of others using the same name. They cite *The Trademark Cases*, 100 U.S. 82 (1879).

The trial court relied on the Supreme Court cases of *United Drug Co. v. Rectanus Co.*, 248 U.S. 90 (1918), and *Hanover Milling Co. v. Metcalf*, 240 U.S. 403 (1916). The particular language we find relevant comes from *Hanover* where the Court stated:

> In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.

---

[3] The trial court mentioned this situation and was disposed to comment: "We have sometimes wondered during the processing of this case why plaintiff felt it necessary to seek further relief."

Hanover, supra, 240 U.S. at 415; *see also Gold Master Corp v. Miller,* 380 F.2d 128, 130 (2d Cir. 1967).

Premised upon *Hanover* and *Rectanus* the trial court properly decided that Elk River, having entered the midwestern states to market its mobile homes without prior knowledge of Allen Homes' use of the trademark on mobile homes in the northwestern states, was not liable to Allen Homes for trademark infringement. The trial court's factual findings are supported by the record, and no error of law appears.

Allen Homes urges that the following factors are sufficient to support its claim: (1) its status as first user, (2) its announced intention to market FOUR SEASONS mobile homes in the midwestern states, (3) its national advertising,[4] and (4) the commencement of erection of its plant at Junction City, Kansas. We disagree.

Trademark rights are conferred by *use* of the mark. *Rectanus, supra* at 97; *Hanover, supra* at 413; *Steer Inn Systems, Inc. v. Laughner's Drive-In, Inc.,* 405 F.2d 1401, 1402 (C.C. P.A. 1969); *Modular Cinemas of America, Inc. v. Mini Cinemas Corp.,* 348 F. Supp. 578, 582 (D.N.Y. 1972). *Sweet Sixteen Co. v. Sweet "16" Shop,* 15 F.2d 920 (8th Cir. 1926), is not to the contrary. As the trial court noted, "Unlike this case, the defendants in *Sweet Sixteen* had actual notice of plaintiff's prior adoption and use of the [trademark]."

II. Elk River's Counterclaim.

Elk River has counterclaimed for money damages arguing that Allen Homes' trademark registration was fraudulent. *See Walworth Co. v. Moore Drop Forging Co.,* 19 F.2d 496 (5th Cir. 1927); *Bart Schwartz Int'l Textiles, Ltd. v. F.T.C.,* 289 F.2d 665 (C.C.P.A. 1961).

---

[4] There is testimony in the record that Allen Homes ran a FOUR SEASONS advertisement in a national trailer dealers magazine.

An Allen Homes corporate officer made a supporting affidavit to the patent office at the time application was made for registration. The affidavit stated that affiant knew of no other person, firm, corporation or association that had the "right to use in commerce said mark on the same goods, either in the identical form or in such near resemblance thereto as might be calculated to deceive." *Compare Schwinn Bicycle Co. v. Murray Manufacturing Co.*, 339 F. Supp. 973 (D. Tenn. 1971); *Nissen Trampoline Co. v. American Trampoline Co.*, 193 F. Supp. 745 (S.D. Iowa 1961).

Elk River contends that because Allen Homes proceeded to obtain trademark registration for "trailers" (Class 19), knowing full well that a Wisconsin company had registered the FOUR SEASONS mark for "factory manufactured buildings and homes" (Class 12) and knowing further that Elk River was using the FOUR SEASONS mark in Missouri, fraud is clearly shown. The trial court regarded the issue as a close one but concluded that fraudulent registration had not been established.

We have carefully reviewed the record. Allen Homes had established first use in the northwestern states. They claimed a right superior to that of Elk River in the midwestern states. The prior knowledge of registration in a separate classification by the Wisconson company certainly does not demonstrate a clear intent to defraud.

Under all the circumstances we find no clear and convincing evidence that Allen Homes committed fraud.

Affirmed.

A true copy.

Attest:

Clerk, U. S. Court of Appeals, Eighth Circuit.

In the United States District Court for the
Western District of Missouri
Southwestern Division

Allen Homes, Inc.,
Plaintiff,
vs.
Jack H. Weersing and Elk River Homes, Inc.,
Defendants.
No. 2271.

MEMORANDUM AND ORDER

(Filed in U. S. District Court January 17, 1974)

I

This is an action maintained by the plaintiff in three counts for federal trademark infringement, federal unfair competition, and common law trademark infringement. The case was submitted on the stipulation of facts contained in Pretrial Order No. 2, and pursuant to the further proceedings had and entered of record at the plenary evidentiary hearing on September 11, 1973. The parties submitted proposed findings of fact and proposed conclusions of law and post-trial briefs, all of which we have carefully considered.

The relevant and material facts are undisputed and are stipulated. For the record, we find all facts as stipulated in Pretrial Order No. 2 and shall make additional findings in the course of this memorandum opinion, filed pursuant to Rule 52(a) of the Rules of Civil Procedure.

It was stipulated the the plaintiff was the first user of the "Four Seasons" trademark. But it was further stipulated that the plaintiff's use of the mark was confined to sales of mobile homes only in the States of Washington, Oregon, Alaska, Idaho and Montana prior to February 1, 1970. The parties' stipulation makes clear that so far as sales in Missouri and other midwestern States, defendants' use of the Four Seasons mark was prior to that of the plaintiff.

Plaintiff's basic argument implicitly assumes that the fact that its prior use of the Four Seasons mark was confined to the group of five Northwestern States named is not a significant and relevant factual circumstance in regard to the determination of the rights of the parties. Plaintiff makes the exceedingly broad argument that "the first user of the trade mark has a right to continue using its trademark and to prevent a second user from using the same trademark in competition with the first user." Plaintiff's factual support for its legal argument based on prior use is necessarily based upon the validity of its assertion that "plaintiff's priority of use of the mark Four Seasons is admitted by comparison of . . . paragraphs 7 and 9 of Section III of Pretrial Order No. 2." Examination of those two paragraphs does not support plaintiff's broad factual claim.

Paragraph 7 stipulated that plaintiff's first use of the Four Seasons mark was on May 16, 1969 in the State of Washington. Paragraph 9, on the other hand, established defendants' prior use in Missouri on February 18, 1970. Plaintiff's reliance upon *Sweet Sixteen Co. v. Sweet "16" Shop, Inc.* (8th Cir. 1926), 15 F. 2d 920, to support its contention that "plaintiff's prior use and expansion of the use of the mark gives the plaintiff prior rights over defendant;" is untenable.

Defendants properly rely upon principles articulated in *Hanover Milling Co. v. Metcalf*, 240 U.S. 403 (1916) and *United Drug Co. v. Rectanus Co.*, 248 U.S. 90 (1918), and the progeny

of those cases. *Sweet Sixteen* merely made application of those principles to the factual circumstances presented in that case. The factual circumstances presented in *Sweet Sixteen* are clearly distinguishable from those stipulated in this case.

Under the undisputed factual situation in this case, the defendants actually used the Four Seasons mark on mobile homes manufactured by it and sold in the States of Missouri, Arkansas, Oklahoma and Texas before the plaintiff had sold any of its Four Seasons mobile homes in any of those states. It is also clear that, contrary to the factual situation in *Sweet Sixteen*, defendants in this case were unaware of any alleged use or ownership of the Four Seasons mark by plaintiff until receipt of a letter from plaintiff dated June 2, 1970. Plaintiff offered no evidence to the contrary and we find that the testimony of the defendants both in deposition and at the plenary evidentiary hearing was both credible and undisputed.

On the basis of the factual circumstances found, we conclude that *Sweet Sixteen*, which made application of the principles of *Hanover Milling Co.* and *Rectanus*, is clearly distinguishable on its facts. Unlike this case, the defendants in *Sweet Sixteen* had actual notice of plaintiff's prior adoption and use of the words "Sweet Sixteen" to designate its business. The Court of Appeals simply held in *Sweet Sixteen* that on the undisputed facts presented in that case it was outside the general rule of *Hanover Milling* and *Rectanus* and that such case fell within the exceptions stated therein.

Our finding and conclusion that this case is controlled by those two Supreme Court cases is consistent with the treatment given those two cases by the Eighth Circuit in other cases decided since *Sweet Sixteen*. *Griesedieck Western Brewery Co. v. People Brewing Co.* (8th Cir. 1945), 149 F. 2d 1010, involved the "Stag" mark on beer. The trial court's judgment for the defendant was affirmed, the court holding that "the right to the exclusive use of a trade-mark or trade-name is limited to the

territory or market wherein it has become established by use in such territory" and that "the mere adoption of a trade mark does not have the effect of preempting and preserving as a claim of territorial rights over territories into which the owner may thereafter desire to extend his trade." The trade territories of the parties involved in that case were only 500 miles apart. The court concluded that under such circumstances "the market of each is remote from that of the other."

While plaintiff's witness initially claimed that "we consider ourselves national and our market area would be the entire continental United States," [Bernard Lechner's deposition, p. 6] he readily conceded that "if market area is limited in definition to where we would have shipped coaches, it would have included the states . . . within a 700 or 800 miles radius of an existing plant." The only plant operated by the plaintiff in 1969 was located in Olympia, Washington [Ibid., p. 7].

Hanover Milling Co. and *Rectanus*, together with *Sweet Sixteen*, "furnished the guide to the law to be applied" in *Katz Drug Co. v. Katz* (8th Cir. 1951), 188 F. 2d 696 at 699. While that case involved a family name situation, the Court of Appeals expressly affirmed the trial court's declaration that "an injunction [to protect exclusive enjoyment of a trade name] must be limited in regard to territory." See also *Cook Chemical Co. v. Cook Paint & Varnish Co.* (8th Cir. 1950), 185 F. 2d 365.

We do not deem it either necessary or appropriate to discuss other Eighth Circuit cases in any detail. We note, however, that the second reversal in the *SweeTarts* litigation, see *Swee-Tart v. Sunline, Inc.* (8th Cir. 1971), 436 F. 2d 705, involved a misconstruction given by the district court to both *Sweet Sixteen* and to the Court of Appeal's earlier references to that case in its prior reversal of the district court, as reported in 380 F.2d 923.

It should be added that Section 1115(b)(5), Title 15, United States Code, is, generally speaking, a codification of the rules

of decision established by the *Hanover Milling Co.* and *Rectanus* line of cases. We therefore conclude that under the factual circumstances of this case, the defendants have an absolute defense against any charge of infringement for the reason that it is clear from the facts as we find them that defendants' use of the mark in the area involved was without knowledge of the registrant's prior use in the entirely different and remote geographic area established by the factual circumstances of this case.

II

Defendants' counterclaim for false and fraudulent registration presents a closer and more difficult question. Defendants satisfactorily established that plaintiff designated "trailers" in its application in order to avoid attempting to obtain a classification under Class 12. Plaintiff obtained a mark under Class 19 (Int. Cl. 12) and obviously avoided attempting to proceed under Class 12 because the patent office had granted a prior Four Seasons registration to a company in Wisconsin for a Class 12 registration which covered "factory manufactured buildings and homes." Class 19 (Int. Cl. 12) also included "mobile homes," hence, the controversy over whether a "mobile home" was or was not a "trailer." Plaintiff had knowledge of the registered Four Seasons trade-mark in Class 12 at the time plaintiff applied for its Class 19 (Int. Cl. 12) mark for a trailer. Indeed, the picture of the mark submitted by plaintiff effectively concealed the type of equipment upon which it was used. In addition to those circumstances, the evidence establishes that in spite of plaintiff's knowledge of defendants' use of a Four Seasons mark in Missouri, plaintiff's corporate officer, who was also a lawyer, made a supporting affidavit to the patent office stating that "to the best of his knowledge and belief, no other person, firm, corporation or association has the right to use in commerce said mark on the same goods, either in the identical

form or in such near resmblance thereto as might be calculated to deceive; and the facts set forth in this application are true."

In support of its counterclaim, defendant relies primarily upon *Walworth Co. v. Moore Drop Forging Co.* (1st Cir. 1927), 19 F. 2d 496; and *Bart Schwartz International Textiles, Ltd. v. F.T.C.* (U.S.C.C. & P.A.), 1961, 289 F. 2d 665. Plaintiff contends that both cases are distinguishable on their facts.

While we do not agree that it may be said, strictly speaking, that the cases are completely distinguishable on their facts, we are of the judgment that the factual circumstances established in both the cases relied upon by the defendant presented a greater quantum of factual circumstances to command and support a finding that the party claiming fraudulent registration had sustained the burden of proof which rested upon him under the applicable law.

We believe the evidence supporting defendants' claim in this case is of greater quantum than that ruled upon by Judge Stephenson in *Nissen Trampoline Co. v. American Trampoline Co.* (S.D. Iowa 1961), 193 F.Supp. 745. But we also believe that the evidence is nevertheless insufficient to sustain defendants' claim and that we must make the same finding and reach the same conclusion as that reached by Judge Morton in *Schwinn Bicycle Co. v. Murray Manufacturing Co.* (M.D. Tenn. 1971), 339 F. Supp. 973. Judge Morton, with a compare citation to Judge Stephenson's opinion in the *Trampoline* case, concluded that the evidence was not sufficient to justify a holding that any officer had knowingly made any inaccurate or misleading statement. The same form of oath was involved in that case as is involved in this case. Judge Morton concluded, as we must, that "the statements of the Schwinn officials can reasonably be construed to have resulted from inadvertence or ignorance of the applicable law of trademarks."

Although we deem this to be an extremely close case on the facts, we therefore find and conclude that the defendant has not carried the burden of proof in regard to its counterclaim for false and fraudulent registration and therefore may not prevail on that claim.

III

In order that the rationale of our decision be clear for any possible appellate review, we make the findings and conclusions proposed by the defendant as they relate to its prior use defense and refuse to make defendant's proposed findings as they relate to their counterclaim. While many of the findings suggested by the plaintiff accurately state stipulated facts, we believe the record will be more clear if we deny all of plaintiff's suggested findings and plaintiff's suggested conclusions.

It is not necessary to reach the claim of invalidity of the Four Seasons mark for the reason that the defendants are no longer using the mark nor have they given any indications that they intend to use the mark in the future. Indeed, it is clear that prior to the filing of this case, the defendants in fact sent every decal which included the designation "Four Seasons" to counsel for the plaintiff. We have sometimes wondered during the processing of this case why plaintiff felt it necessary to seek further relief.

For the reasons stated, it is

Ordered (1) that plaintiff should be and is hereby denied all relief and its complaint should be, and the same is hereby, dismissed. It is further

Ordered (2) that defendants are not entitled to recover upon their latest amended counterclaim and such counterclaim should be and the same is hereby dismissed. It is further

Ordered (3) that each party shall bear their respective costs.

/s/ JOHN W. OLIVER
District Judge

Kansas City, Missouri
January 16, 1974

ORDER

(Filed in U. S. District Court February 28, 1974)

This case currently pends on defendants' motion pursuant to Federal Rule of Civil Procedure 52 (b) to amend the findings of fact and judgment entered by this Court on January 16, 1974.

We have read and considered the briefs submitted by both parties and we have concluded that defendants' motion should not be granted.

For the reasons stated, it is

Ordered that the defendants' motion under F.R.C.P. 52 (b) should be, and the same is hereby denied.

/s/ JOHN W. OLIVER
District Judge

Kansas City, Missouri
February 28, 1974

ORDER

(Filed in U. S. District Court March 8, 1974)

This case currently pends on plaintiff's motion pursuant to Federal Rule of Civil Procedure 52 (b) to amend the findings of fact and judgment entered by this Court on January 16, 1974.

We have read and considered the suggestions submitted by plaintiff and we have concluded that plaintiff's motion should not be granted.

For the reasons stated, it is

Ordered that plaintiff's motion under F.R.C.P. 52 (b) should be and the same is hereby denied.

/s/ JOHN W. OLIVER
District Judge

Kansas City, Missouri
March 8, 1974